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ANNUAL REPORT 1979

Corporate Information

Officers	Chairman of the Board Ernest S. Rady President John H. Carruthers Vice-President Thomas Z. Olenick Treasurer Graham D. McLeod Secretary Norman Edwards Assistant Secretary Mary Henderson
Directors	John H. Carruthers, Calgary, Alberta Mary Henderson, Calgary, Alberta Roy E. McLellan, Calgary, Alberta Ernest S. Rady, San Diego, California Charles R. Tittlemore, Toronto, Ontario
Honorary Directors	Howard Carruthers, Kelowna, British Columbia Douglas G. Scott, Winnipeg, Manitoba
Registered Offices	410 Crown Trust Building, 407 - 8th Avenue S.W. Calgary, Alberta T2P 1E5
Bank	The Royal Bank of Canada Calgary, Alberta
Auditors	Thorne Riddell & Co.
Registrar and Transfer Agent	Canada Trust Company Calgary, Alberta
Stock Exchange Listing	Alberta Stock Exchange

Report to Shareholders

On behalf of the Board of Directors, we are pleased to present the Annual Report of Summit Resources Limited for the period ending December 31, 1979.

During 1979 we regrettably accepted the resignation of Kenneth A. Wallace, as the Company President and Director. We are indebted to Mr. Wallace for his many years of valuable service.

The Company continued its exploration efforts in the Province of Alberta with our main focus of attention being directed toward the West Pembina Area. A seismic program operated by the Company will be shot in the first quarter of this year. We are hopeful this program will locate Devonian-Nisku accumulations which will be drilled during the 1980 drilling season.

Your Company has also obtained a significant acreage position in the Craigmyle Area of Alberta. This acreage is most promising for Belly River gas and will be evaluated by the drilling of three wells during 1980.

Your Company made an additional investment of \$150,000.00 U.S. in Western Thrift and Loan during the period under review, which was approved by the Shareholders at the last Annual Meeting.

Western Thrift Financial Corporation earned \$3.27 U.S. per share in 1979 as against \$3.25 U.S. per share in 1978.

This represents earnings for Summit Resources of \$264,988.00 U.S. on its shares.

Western Thrift prospects for 1980 are somewhat clouded by the rapid rise in the cost of its thrift deposits (which is a function of rapidly rising interest rates in the U.S.) and the lag in passing on these higher costs to borrowers which has created a squeeze on its margins. Management is hopeful that this situation will be rectified by either higher charges for its loans or lower costs of its funds or a combination of both at some point in the future. In the meantime every effort is being made to maximize revenue and minimize controllable costs to alleviate as much as possible this margin squeeze.

Following are financial statements of Western Thrift Financial Corporation as at December 31, 1979 of which Summit Resources Limited presently holds 82,460 shares or 19.64%.

(EXPRESSED IN U.S. CURRENCY)

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WESTERN THRIFT FINANCIAL CORPORATION AND SUBSIDIARIES

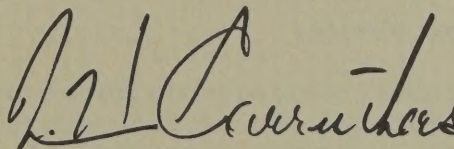
CONSOLIDATED STATEMENTS OF EARNINGS

(EXPRESSED IN U.S. CURRENCY)

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>1979</u>	<u>1978</u>
REVENUES:		
Charges earned on loans	\$ 4,085,720	\$3,282,352
Discounts earned on contracts	12,006,832	10,303,249
Charges earned on floorings	22,058	16,305
Late, extension and collection charges	472,109	397,947
Insurance commissions	639,957	573,919
Income on investments	204,488	145,822
Rental income	324,711	206,016
Mortgage brokerage fees	288,216	
Other income	14,969	120,887
	<u>18,059,060</u>	<u>15,046,497</u>
EXPENSES:		
Interest expense	9,606,388	6,967,854
Operating expenses	4,822,205	4,282,000
Provision for doubtful receivables	808,032	933,767
Cost of rental income	335,970	205,621
	<u>15,572,595</u>	<u>12,389,242</u>
Earnings before income tax	<u>2,486,465</u>	<u>2,657,255</u>
INCOME TAXES:		
Current	1,180,725	1,429,358
Deferred	(54,640)	11,493
	<u>1,126,085</u>	<u>1,440,851</u>
Net Earnings	<u>\$ 1,360,380</u>	<u>\$1,216,404</u>

In order to provide funds for the expansion of the company's oil and gas business, Summit has entered into an agreement subject to shareholder approval with an affiliate of its controlling shareholder to sell 35,000 Western Thrift shares at \$26.18 U.S. (book value) per share. This sale will provide Summit with approximately \$1,000,000.00 Canadian and the Board of Directors of the Company are optimistic about managements ability to successfully employ these funds in the oil and gas business with the opportunities presently available.

ON BEHALF OF THE BOARD



John H. Carruthers,
President

Current Exploration Projects

Alberta

West Pembina Area, Alberta Townships 48, 49, 50, Ranges 10, 11, 12 W5M

The Company has continued its efforts in this area over the past year and was successful in obtaining a seismic option covering what we feel are very favorable Devonian-Nisku indications. The seismic program will be commenced the first quarter of 1980 and we are hopeful this program will culminate in future drilling. The Company holds a 39½% interest in the seismic program.

Wood River Area, Alberta Townships 42, 43, Range 34 W4M

The Company along with other companies in the area have agreed to unitize their production under the operatorship of Home Oil. The unitization will be of great benefit to all concerned as the production will dramatically increase through the implementation of a gas injection program. The unit is expected to close in the spring of 1980. The Company's interest in the unit will be 7.17%.

St. Albert Area, Alberta Township 43, Range 25 W4M

Because of various surface rights problems encountered with the acquisition of our drillsite location, we did not drill this prospect in 1979. These problems have now been rectified and we are expecting to drill this location in the near future. The well will be drilled to the Devonian-Ireton formation which will be encountered at a depth of 5000 feet. The prospect is located within 2½ miles of other Devonian and Cretaceous production. The Company will have an 18.75% interest in this prospect after payout.

Craigmyle Area, Alberta Township 32, Range 17 W4M

The Company in conjunction with its partners were successful in acquiring a 9 Section licence at the October 24, 1979 Alberta Crown Land Sale. Summit's present interest is 25%. This area has very favorable potential for Belly River Formation gas and the licence will be evaluated by the drilling of three wells, the first to commence March 30, 1980. The Company will have a 12½% interest in this prospect after payout.

U.S.A.

Ragged Point, Montana

The Company in conjunction with its partners is in the process of surrendering its acreage position in this area. It is our opinion that the acreage has been fully evaluated and further expenditures would not be in the Company's best interest.

Tule Creek Area, Montana

The Company granted a seismic option to a Denver based exploration company during the latter part of 1979. The program will be shot in early 1980 and will hopefully culminate in the drilling of a well. Should Anadarko elect to drill, Summit will have an 8.33% working interest after payout.

Willard Area, Montana

The Company will continue to hold its acreage in an attempt to initiate the drilling of a test well on Summit held lands.

Ellis County, Oklahoma

The Company is participating through an agreement negotiated with a Denver based exploration company in the drilling of a Berryman Sand test. This location is offset by three producing gas wells. This well will be spudded in January, 1980. The Company will have a 2.625% interest in this prospect after payout.

Saskatchewan

Due to the adverse taxation imposed upon the producers and operators in this province by the government, the Company has refused to take any initiative in further exploration and development in that Province.

Foreign

German North Sea

The Company continues to maintain its 4% working interest in some 100,000 acres in the German sector of the North Sea for a minimum expenditure. It is hopeful that the operators of this project may be able to farmout this acreage prior to the expiry of this permit in 1980.

Summary of Non-Producing Acreage

(as of December 31, 1979)

Working Interest

AREA	GROSS ACRES	COMPANY'S NET ACRES
Alberta	33,906.32	6,214.07
Saskatchewan	1,519.00	608.02
German North Sea	100,000.00	4,000.00
Montana	<u>5,215.58</u>	<u>1,387.29</u>
TOTAL	<u>140,640.90</u>	<u>12,209.38</u>

*Royalty Interest

Alberta	3,520.00	102.93
Saskatchewan	<u>920.00</u>	<u>16.80</u>
TOTAL	<u>4,440.00</u>	<u>119.73</u>
TOTAL ALL PROPERTIES	<u>145,080.90</u>	<u>12,329.11</u>

*A 1.0 per cent Royalty Interest is equivalent to a 3.0 per cent Working Interest.

Development

The following table shows the Company's participation in wells capable of production at December 31, 1978

<u>Producing Wells</u> <u>Working Interest</u>	<u>Gross Wells</u>	<u>Net Wells</u>
Midale, Saskatchewan	2	1.65
Parkman	4	2.0
Hume	6	1.1
Weyburn	6	2.4
Wood River, Alberta	2	0.25
<u>Royalty Interest</u>	<u>Gross Wells</u>	<u>% Royalty</u>
Parkman, Saskatchewan (oil)	2	12.5
Lost Horse Hills (oil)	4	1.5
Elmore (oil)	9	1.0
Oungre (oil)	5	1.5
Chigwell, Alberta (oil)	1	1.0
Oberlin (gas)	3	1.4
Lait (gas)	1	1.0
Nevis (shut-in gas)	1	5.0
Harmon	1	6.75
Kneehill (shut-in gas)	1	6.75
Ponoka (shut-in gas)	1	0.75
Wood River (oil)	1	0.2343
		7.5
		1/31.782

The major reserves of the Company were evaluated by J.C. Sproule in June 1972 and are being continually updated on a regular basis by the engineering staff of the Company. These updated reserves estimated at December 31, 1979 are as follows:

<u>Estimated Reserves</u>	<u>Crude Oil</u>
Proven developed	392,968
Probable developed	295,470
Royalty Proven	73,521
Royalty Probable	22,995
TOTAL RESERVES	784,954 bbls.

The Company receives its major portion of production from wells in Saskatchewan, i.e. Parkman, Midale, Hume and North Weyburn, along with Wood River, Alberta. During the period under review the Company's oil production is as follows:

<u>Period</u>	<u>Net Production — after Royalty</u>
January 1, 1979 — December 31, 1979	35,784 bbls.

Summit Resources Limited

(Incorporated under the laws of Alberta)

Consolidated Balance Sheet

as at December 31, 1979

	ASSETS	
	1979	1978
CURRENT ASSETS		
Cash	\$ 84,224	\$ 210,965
Accounts receivable	166,992	341,552
Prepaid expenses and supplies	21,304	23,312
	<u>272,520</u>	<u>575,829</u>
INVESTMENT IN OTHER COMPANIES (note 2)	<u>2,401,657</u>	<u>1,920,230</u>
OTHER ASSETS, at cost		
Drilling and other deposits	<u>23,034</u>	<u>27,984</u>
FIXED ASSETS (note 3)		
Properties, buildings and equipment	2,483,518	2,373,962
Less accumulated depreciation and depletion	921,253	817,398
	<u>1,562,265</u>	<u>1,556,564</u>
	<u>\$ 4,259,476</u>	<u>\$ 4,080,607</u>

Auditors' Report

To the Shareholders of
Summit Resources Limited

We have examined the consolidated balance sheet of Summit Resources Limited as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Summit Resources Limited and subsidiary of which we are the auditors and which are consolidated in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the investment in Western Thrift Financial Corporation, which is accounted for by the equity method, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Winnipeg, Canada
February 24, 1980

THORNE RIDDELL & CO.
Chartered Accountants

Summit Resources Limited

LIABILITIES		1979	1978
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	153,535	\$ 295,380
Advances by participants in drilling programs			31,000
Principal due within one year on long-term debt		8,148	7,625
		<u>161,683</u>	<u>334,005</u>
LONG-TERM DEBT			
6 3/4% Mortgage payable, maturing May 15, 1985		51,373	58,998
Less principal due within one year		8,148	7,625
		<u>43,225</u>	<u>51,373</u>
DEFERRED INCOME TAXES		<u>461,000</u>	<u>418,000</u>

SHAREHOLDERS' EQUITY

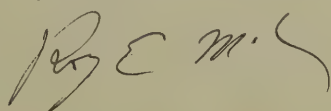
CAPITAL STOCK			
Authorized			
200,000 5% Non-cumulative, non-voting, redeemable convertible preference shares, par value \$1 per share			
10,000,000 Common shares, no par value			
Issued			
1,000,920 Common Shares		1,935,947	1,935,947
RETAINED EARNINGS		<u>1,657,621</u>	<u>1,341,282</u>
		<u>3,593,568</u>	<u>3,277,229</u>
		<u>\$ 4,259,476</u>	<u>\$ 4,080,607</u>

Approved by the Board

Director



Director



Summit Resources Limited

Consolidated Statement of Income

	Year ended December 31, 1979	Fifteen months ended December 31, 1978
REVENUE		
Oil and gas sales	\$ 381,542	\$ 464,696
Drilling contracts		772,500
Rentals	65,161	74,438
Investments	10,943	13,740
	<u>457,646</u>	<u>1,325,374</u>
EXPENSES		
Production	106,593	111,865
Drilling contracts		736,770
Rental	45,010	70,043
Interest on long-term debt	3,528	5,283
Remuneration of directors, officers and employees	66,692	78,316
General and administrative	90,985	69,983
Depreciation and depletion	97,390	121,920
	<u>410,198</u>	<u>1,194,180</u>
Operating Income	47,448	131,194
Share of earnings of Western Thrift Financial Corporation (note 2)	<u>303,271</u>	<u>321,604</u>
Income before income taxes	<u>350,719</u>	<u>452,798</u>
Income taxes		
Provincial tax credits	(8,620)	(8,584)
Deferred	43,000	72,000
	<u>34,380</u>	<u>63,416</u>
NET INCOME	<u>\$ 316,339</u>	<u>\$ 389,382</u>
NET INCOME PER COMMON SHARE	<u>\$.32</u>	<u>\$.39</u>

Summit Resources Limited

Consolidated Statement of Retained Earnings

	Year ended December 31, 1979	Fifteen months ended December 31, 1978
Retained earnings at beginning of period	\$ 1,341,282	\$ 951,900
Net Income	316,339	389,382
RETAINED EARNINGS AT END OF PERIOD	<u>\$ 1,657,621</u>	<u>\$ 1,341,282</u>

Summit Resources Limited

Consolidated Statement of Changes in Financial Position

	Year ended December 31, 1979	Fifteen months ended December 31, 1978
WORKING CAPITAL DERIVED FROM		
Operations	\$ 153,458	\$ 261,698
Decrease in other assets	4,950	
Proceeds from sale of fixed assets	4,100	233,597
	<u>162,508</u>	<u>495,295</u>
WORKING CAPITAL APPLIED TO		
Increase in investment in other companies	178,156	95,863
Increase in other assets		1,000
Purchase of fixed assets	107,191	196,842
Reduction of long-term debt	8,148	9,553
	<u>293,495</u>	<u>303,258</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(130,987)	192,037
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>241,824</u>	<u>49,787</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 110,837</u>	<u>\$ 241,824</u>

Summit Resources Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 1979

1. ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of Summit Resources, Inc., a wholly-owned subsidiary.

(b) Investment in other companies

It is the Company's practice to account for its investment in Western Thrift Financial Corporation on the equity method.

All other investments are carried at cost.

(c) Fixed assets

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated is provided using the composite unit of production method based on total proven reserves of gas and oil. Depreciation of petroleum equipment is provided on a diminishing balance basis at 30% per year.

Depreciation of rental properties and equipment is provided on a straight-line basis at 3% per year.

(d) Income taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

Summit Resources Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 1979

2. INVESTMENT IN OTHER COMPANIES

	<u>Number of shares</u>		<u>Carrying value</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
Western Thrift Financial Corporation - Common	82,460	76,210	\$ 2,291,657	\$ 1,810,230
Memrad Holdings Ltd. - Preferred	4,000	4,000	40,000	40,000
Union Assets Ltd. - Preferred	700	700	70,000	70,000
			<u>\$ 2,401,657</u>	<u>\$ 1,920,230</u>

The company has a 19.6% investment in common shares of Western Thrift Financial Corporation.

3. FIXED ASSETS

	<u>1979</u>		<u>1978</u>
	<u>Cost</u>	<u>Accumulated depreciation and depletion</u>	<u>Net</u>
Petroleum Properties	\$ 2,045,373	\$ 645,841	\$ 1,399,532
Equipment	230,850	198,097	32,753
	<u>2,276,223</u>	<u>843,938</u>	<u>1,432,285</u>
Rental operation			
Land	30,468		30,468
Buildings	165,951	72,271	93,680
Equipment	10,876	5,044	5,832
	<u>207,295</u>	<u>77,315</u>	<u>129,980</u>
	<u>\$ 2,483,518</u>	<u>\$ 921,253</u>	<u>\$ 1,562,265</u>
			<u>\$ 1,556,564</u>

SUMMIT RESOURCES LIMITED
ANNUAL REPORT 1979